

AUDITING PROCEDURES REPORT

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Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Riverview</u>	County Wayne
Audit Date June 30, 2004	Opinion Date November 12, 2004	Date Accountant Report Submitted To State: December 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy.	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

City of Riverview, Michigan

Financial Report with Supplemental Information June 30, 2004

City of Riverview, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Riverview, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverview, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Riverview, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverview, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Riverview, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Riverview, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 12, 2004

Overview of the Financial Statements

The City of Riverview, Michigan's (the "City") 2004 annual financial report is presented in conformity with the requirements of GASB Statement No. 34, as it was in 2003. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- Government activities - Most of the City's basic services are included here, such as the police, fire, public works, recreation departments, and general administration. Property taxes, state-shared revenue, charges for services, grants, and transfers provide much of the funding.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, golf course, golf practice facility, and land preserve are all included here.
- Component units - The City includes the Economic Development Corporation in its report.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.
- Fiduciary funds - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Highlights

- The financial report for the year ended June 30, 2004 reflects complete implementation of Governmental Accounting Standards Board Statement No. 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present both entity-wide financial reporting for all governmental and business activities in addition to reporting financial information at the fund level. A reconciliation of the net change in fund balance to the change in net assets is provided on page 17.
- Assets of the City exceeded its liabilities at the end of the fiscal year by \$88,261,069 (net assets), a decrease of \$957,191 from the previous year. Of the \$88.3 million reported in net assets, approximately \$7.7 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- Net assets of the City's governmental activities decreased \$1,902,100, or 5.4 percent, while net assets of our business-type activities increased \$944,909, or 1.7 percent.
- Unrestricted net assets for governmental activities are 18.4 percent of expenses. Unrestricted net assets for business-type activities are 50.0 percent of expenses.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

- The General Fund reported expenditures in excess of revenues of \$407,573, resulting in a decrease in the General Fund fund balance to \$417,765. Of this amount, \$366,799 is unreserved and undesignated, or 3.9 percent, of General Fund expenditures.
- In February 2004, the City issued \$7.6 million of General Obligation Limited Tax bonds, with the proceeds designated for reconstruction and repair of various streets located throughout the City. The bonds are scheduled for repayment over the next 10 years, with funding being derived from the State of Michigan (Act 51 Road Funds), operating transfers from the land preserve, and tax levies. The project is expected to be completed over the next three construction seasons.

The City as a Whole

The City's combined net assets are \$88.3 million at June 30, 2004. Business-type activities make up \$55.3 million and governmental activities make up \$33.0 million of the total. The following table shows, in a condensed format, the net assets as of June 30, 2004 and compared to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and other assets	\$ 14.1	\$ 6.1	\$ 32.8	\$ 32.4	\$ 46.9	\$ 38.5
Capital assets	31.2	31.9	59.4	59.8	90.6	91.7
Total assets	45.3	38.0	92.2	92.2	137.5	130.2
Liabilities						
Long-term liabilities	9.6	2.1	35.2	36.3	44.8	38.4
Other liabilities	2.7	1.0	1.7	1.6	4.4	2.6
Total liabilities	12.3	3.1	36.9	37.9	49.2	41.0
Net Assets						
Invested in capital assets -						
Net of related debt	29.5	30.7	38.1	38.4	67.6	69.1
Restricted	1.0	1.4	12.0	10.6	13.0	12.0
Unrestricted	2.5	2.8	5.2	5.3	7.7	8.1
Total net assets	<u>\$ 33.0</u>	<u>\$ 34.9</u>	<u>\$ 55.3</u>	<u>\$ 54.3</u>	<u>\$ 88.3</u>	<u>\$ 89.2</u>

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

City of Riverview - Net Assets

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$88.3 million (net assets). However, a major portion (77 percent) of the City's net assets represents its investment in capital assets (e.g., land, roads, infrastructure, buildings, and equipment), less any related debt used to acquire or construct these assets. The City uses these assets in providing services to its citizens; thus, these assets are not available for future spending.

Current and other assets have increased by \$8.4 million from the prior year, and long-term liabilities and other liabilities have increased by \$6.4 million and \$1.8 million, respectively. The increase in long-term liabilities is primarily due to the \$7.6 million of bonds that the City issued for the street repair project.

Unrestricted net assets of the City decreased from \$8.1 million at June 20, 2003 to \$7.7 million at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2003:

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for service	\$ 0.6	\$ 0.6	\$ 13.5	\$ 13.2	\$ 14.1	\$ 13.8
Operating grants and contributions	0.9	0.9	-	-	0.9	0.9
Capital grants and contributions	-	0.1	-	-	-	0.1
General revenues:						
Property taxes	5.0	4.9	1.3	1.1	6.3	6.0
State-shared revenues	1.3	1.7	-	-	1.3	1.7
Cable, franchise, and right-of-way fees	0.2	0.4	-	-	0.2	0.4
Investment income (loss)	0.1	0.2	(0.1)	2.0	-	2.2
Transfers in	3.3	2.6	-	-	3.3	2.6
Gain (loss) on sale of fixed assets	-	0.1	-	(0.2)	-	(0.1)
Total revenues	11.4	11.5	14.7	16.1	26.1	27.6
Expenses						
General government	3.0	2.9	-	-	3.0	2.9
Public safety	5.0	4.3	-	-	5.0	4.3
Public works	3.8	3.0	-	-	3.8	3.0
Community and economic development	0.2	0.3	-	-	0.2	0.3
Recreation and culture	1.1	0.9	-	-	1.1	0.9
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Water and sewer	-	-	3.8	4.0	3.8	4.0
Golf course	-	-	1.4	1.5	1.4	1.5
Golf practice	-	-	0.2	0.2	0.2	0.2
Land preserve	-	-	5.0	4.8	5.0	4.8
Transfers out	-	-	3.3	2.6	3.3	2.6
Total expenses	13.3	11.6	13.7	13.1	27.0	24.7
Change in Net Assets	(1.9)	(0.1)	1.0	3.0	(0.9)	2.9
Net Assets - Beginning of year	34.9	35.0	54.3	51.3	89.2	86.3
Net Assets - End of year	\$ 33.0	\$ 34.9	\$ 55.3	\$ 54.3	\$ 88.3	\$ 89.2

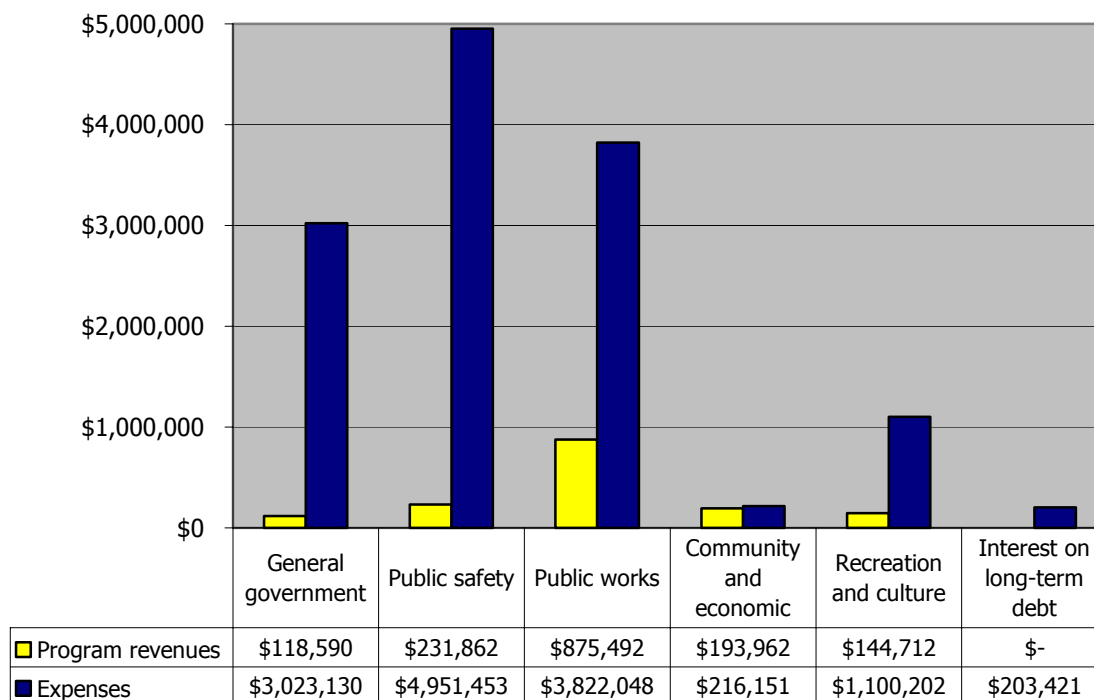
City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

For the year ended June 30, 2004, revenues for the City's governmental activities totaled \$11.4 million, or a slight decrease of \$0.1 million from 2003. Property taxes increased slightly from \$4.9 million in 2003 to \$5.0 million in 2004, due to an increase in the property tax base as a result of inflationary increases in existing parcels. Operating transfers from Enterprise Funds increased to \$3.3 million in 2004, an increase of \$0.7 million over last year. State-shared revenues were \$1.3 million in 2004, or \$0.4 million less than 2003; these revenues continue to be a concern as to future funding levels.

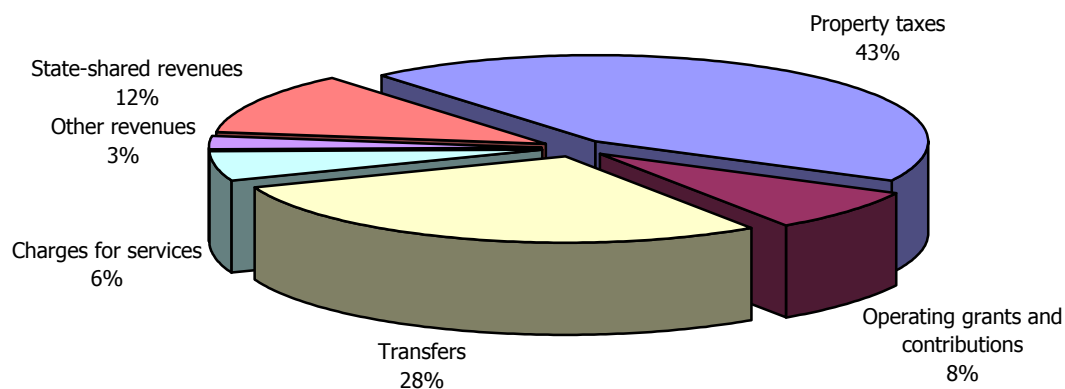
**Expenses and Program Revenues
Governmental Activities**



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Revenue by Source Governmental Activities



Business-type Activities

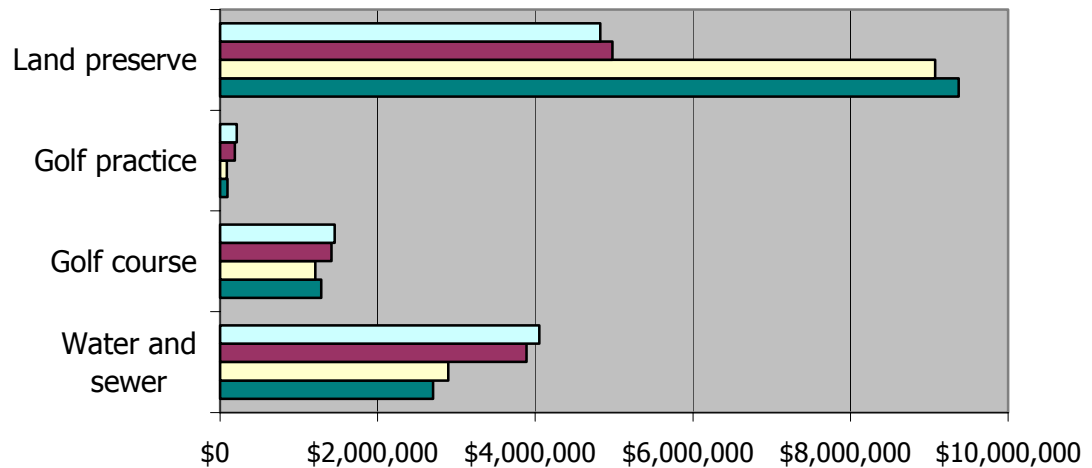
The City has four business-type activities: the water and sewer system, the golf course, the golf practice facility, and the land preserve. In total, these four activities generated \$13.5 million in charges for services and incurred \$13.7 million in expenses and transfers out in 2004, compared to \$13.2 in charges for services and \$13.1 in expenses and transfers out for 2003. The City experienced an increase in net assets of approximately \$1.0 million from its business-type activities.

In addition, general revenues for business-type activities were approximately \$1.2 million in 2004, compared to \$2.9 million in 2003. Investment income (loss) on investments decreased from \$2.0 million in 2003 to (\$0.1) million in 2004; this was due to unrealized losses on funds held for long-term investments at the land preserve. Property tax revenue was \$1.3 million, or \$0.2 million higher than 2003; these property taxes are used to make payments on debt incurred for the sewer system improvements, and increased due to an increase in the property tax base for inflation.

City of Riverview, Michigan

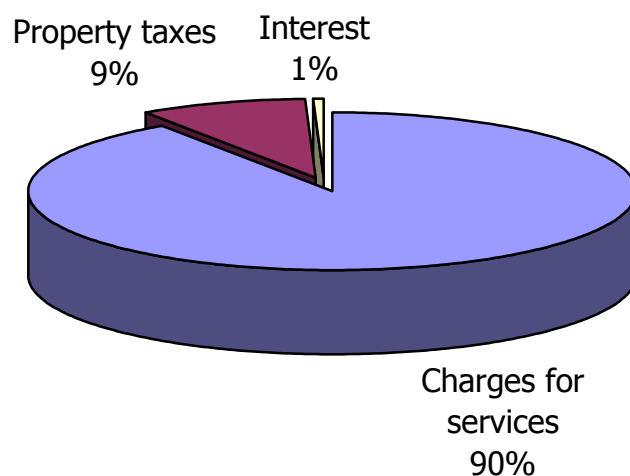
Management's Discussion and Analysis (Continued)

Expense and Program Revenues Business-type Activities



	Water and sewer	Golf course	Golf practice	Land preserve
2003 Expenses	\$4,050,338	1,452,395	211,431	4,825,116
2004 Expenses	\$3,889,434	1,413,759	189,200	4,977,952
2003 Program revenues	\$2,896,103	1,207,272	85,847	9,075,102
2004 Program revenues	\$2,702,919	1,281,238	93,959	9,374,955

Revenue by Source Business-type Activities



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of fiscal year 2004, the City has \$130.4 million invested, before depreciation, in a wide range of capital assets, including land, building, public safety equipment, computer equipment, and water and sewer lines. Of that amount, approximately \$16.0 million, net of depreciation, relates to infrastructure.

Debt of \$8.7 million, related to the construction of the above-mentioned capital assets, is reported as a liability in the governmental activities in the statement of net assets. During the year, the City issued \$7.6 million of general obligation bonds to finance various street repairs across the City. This project was originally intended to be completed over a 10-year period, but with the proceeds from the bond issuance the project will be shortened to the next three years.

Debt related to the water and sewer system totaling \$20.9 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents improvements at the Wyandotte wastewater treatment plant that were mandated by a federal consent decree. During the year, the City issued bonds that were used to advance refund the 1994 General Obligation Limited Tax bonds, related to sewer system improvements. By doing this, the City reduced interest payments over the next 12 years by approximately \$94,000, or a present value savings of \$75,000.

The City's Funds

The fund financial statements begin on page 16 and provide detailed information on the most significant governmental funds - not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2004 include the General Fund and the Major and Local Streets Funds.

The City's governmental funds reported combined fund balance of \$11.0 million for this year, an increase of approximately \$6.3 million from last year. Included in this increase is the General Fund's shortfall of revenues under expenditures of approximately \$410,000. In addition, the Major Streets Fund incurred a shortfall of approximately \$205,000. This was primarily due to the transfer of funds to the Local Streets Fund for street repair projects in 2004. Also, the Local Streets Fund reported an increase of \$6.9 million in its fund balance, primarily due to the issuance of bonds in the amount of \$7.6 million; the proceeds from this issuance are to be expended over the next three fiscal years and have been reserved for construction.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Revenues for the General Fund increased from the original budget to the final budget due to expected increases in property taxes and ambulance billings. Actual revenues were \$468,000 below the final budget amounts; this was primarily due to the recording of expected refunds for personal property taxes that were being disputed, higher than anticipated investment losses, and cuts in state-shared revenue payments.

Expenditures increased from the original budget to the final budget, based on increases for certain expenditures which arose during the year. Actual expenses were approximately \$344,000 below the final budget, resulting from tighter controls over spending due to lower revenue projections. Included in the General Fund expenditures was a contribution to the pension system of approximately \$385,000 for its general members and police members.

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years. The major sources of revenue for the City are property taxes, state-shared revenues, and charges for services. These sources have certain limitations outside of the City's control - taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation (e.g., health care). We are continuing to plan for the long-term and will continue to balance the budgets through controls over spending, while still providing the City's residents with the same level of service to which they have become accustomed.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the director of finance at the City of Riverview, 14100 Civic Park Drive, Riverview, MI 48192.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

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City of Riverview, Michigan

Statement of Net Assets June 30, 2004

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,591,931	\$ 3,808,615	\$ 9,400,546	\$ 11,867
Receivables - Net:				
Taxes	186,156	-	186,156	-
Customers	-	3,790,947	3,790,947	-
Due from other governmental units	553,767	-	553,767	-
Other	161,931	42,501	204,432	-
Internal balances	529,354	(529,354)	-	-
Inventories	7,886	18,987	26,873	-
Prepaid and other assets	37,265	28,342	65,607	-
Restricted assets (Note 5)	7,075,895	25,666,281	32,742,176	-
Capital assets (Note 6):				
Nondepreciable capital assets	11,336,844	4,367,577	15,704,421	-
Depreciable capital assets - Net	19,859,159	54,964,369	74,823,528	-
Total assets	45,340,188	92,158,265	137,498,453	11,867
Liabilities				
Accounts payable	1,772,070	1,606,091	3,378,161	-
Accrued and other liabilities	981,201	116,870	1,098,071	-
Noncurrent liabilities:				
Due within one year (Note 7)	830,000	1,391,253	2,221,253	-
Due in more than one year (Note 7)	8,735,923	20,103,976	28,839,899	-
Land preserve closure liability (Note 5)	-	13,700,000	13,700,000	-
Total liabilities	12,319,194	36,918,190	49,237,384	-
Net Assets				
Invested in capital assets - Net of related debt	29,531,898	38,036,309	67,568,207	-
Restricted:				
Streets	1,004,257	-	1,004,257	-
CDBG	41,276	-	41,276	-
Water and sewer debt service	-	1,031,412	1,031,412	-
Land preserve closure and post- closure costs	-	10,934,869	10,934,869	-
Unrestricted	2,443,563	5,237,485	7,681,048	11,867
Total net assets	<u>\$ 33,020,994</u>	<u>\$ 55,240,075</u>	<u>\$ 88,261,069</u>	<u>\$ 11,867</u>

City of Riverview, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 3,023,130	\$ 118,590	\$ -	\$ -
Public safety	4,951,453	219,252	12,610	-
Public works	3,822,048	144,485	731,007	-
Community and economic development	216,151	44,149	149,813	-
Recreation and culture	1,100,202	110,487	34,225	-
Interest on long-term debt	203,421	-	-	-
Total governmental activities	13,316,405	636,963	927,655	-
Business-type activities:				
Water and sewer	3,889,434	2,702,919	-	-
Golf course	1,413,759	1,281,238	-	-
Golf practice	189,200	93,959	-	-
Land preserve	4,977,952	9,374,955	-	-
Total business-type activities	10,470,345	13,453,071	-	-
Total primary government	<u>\$ 23,786,750</u>	<u>\$ 14,090,034</u>	<u>\$ 927,655</u>	<u>\$ -</u>
Component unit - Economic Development Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State sources				
Cable, franchise, and right-of-way fees				
Investment income (loss)				
Miscellaneous revenue				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year - As restated in Note 1				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit -
Governmental	Business-type		Economic
Activities	Activities	Total	Development
			Corporation
\$ (2,904,540)	\$ -	\$ (2,904,540)	\$ -
(4,719,591)	-	(4,719,591)	-
(2,946,556)	-	(2,946,556)	-
(22,189)	-	(22,189)	-
(955,490)	-	(955,490)	-
(203,421)	-	(203,421)	-
(11,751,787)	-	(11,751,787)	-
-	(1,186,515)	(1,186,515)	-
-	(132,521)	(132,521)	-
-	(95,241)	(95,241)	-
-	4,397,003	4,397,003	-
-	2,982,726	2,982,726	-
(11,751,787)	2,982,726	(8,769,061)	-
-	-	-	-
4,969,230	1,301,937	6,271,167	-
1,338,918	-	1,338,918	-
217,222	-	217,222	-
64,465	(86,611)	(22,146)	-
6,709	-	6,709	-
3,253,143	(3,253,143)	-	-
9,849,687	(2,037,817)	7,811,870	-
(1,902,100)	944,909	(957,191)	-
34,923,094	54,295,166	89,218,260	11,867
\$ 33,020,994	\$ 55,240,075	\$ 88,261,069	\$ 11,867

City of Riverview, Michigan

Governmental Funds Balance Sheet June 30, 2004

	Major Special Revenue Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund		
Assets					
Cash and investments	\$ 550,181	\$ 1,129,675	\$ 968,775	\$ 2,505,805	\$ 5,154,436
Restricted assets (Note 5)	-	-	7,075,895	-	7,075,895
Receivables:					
Taxes	161,143	-	9,201	15,812	186,156
State of Michigan	434,392	83,658	35,717	-	553,767
Other	144,354	-	-	17,577	161,931
Due from other funds (Note 4)	537,994	-	-	61,069	599,063
Inventories	7,886	-	-	-	7,886
Total assets	\$ 1,835,950	\$ 1,213,333	\$ 8,089,588	\$ 2,600,263	\$ 13,739,134
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 510,913	\$ 343,479	\$ 857,906	\$ 59,772	\$ 1,772,070
Due to other funds	50,644	7,855	11,210	-	69,709
Accrued and other liabilities	856,628	-	2,319	37,378	896,325
Deferred revenue	-	-	-	20,526	20,526
Total liabilities	1,418,185	351,334	871,435	117,676	2,758,630
Fund Balances					
Reserved for inventory	7,886	-	-	-	7,886
Reserved for encumbrances	-	419,221	-	-	419,221
Reserved for construction projects	-	-	7,075,895	-	7,075,895
Unreserved:					
Designated for pending tax tribunals	43,080	-	2,593	-	45,673
Undesignated	366,799	442,778	139,665	-	949,242
Unreserved, reported in:					
Special Revenue Funds	-	-	-	819,655	819,655
Debt Service Funds	-	-	-	168,471	168,471
Capital Projects Funds	-	-	-	1,494,461	1,494,461
Total fund balances	417,765	861,999	7,218,153	2,482,587	10,980,504
Total liabilities and fund balances	\$ 1,835,950	\$ 1,213,333	\$ 8,089,588	\$ 2,600,263	\$ 13,739,134

City of Riverview, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities June 30, 2004

Total Fund Balances of Governmental Funds	\$ 10,980,504
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	31,196,003
Certain revenue in the Community Development Block Grant Fund is deferred and will be recognized as revenue in the fund statements in future years	20,526
Compensated absences are not due and payable in the current period and are not reported in the funds	(825,923)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(8,740,000)
Accrued interest is not recorded in the funds	(35,761)
The Internal Service Fund (self-insurance) is included as part of governmental activities	<u>425,645</u>
Net Assets of Governmental Activities	<u>\$ 33,020,994</u>

City of Riverview, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	Major Special Revenue Funds			Other Nonmajor	Total
	General Fund	Major Streets Fund	Local Streets Fund	Governmental Funds	Governmental Funds
Revenue					
Property taxes	\$ 4,302,439	\$ -	\$ 252,498	\$ 414,293	\$ 4,969,230
Federal sources	8,503	-	-	136,524	145,027
State sources	1,338,918	492,467	238,775	13,289	2,083,449
Charges to other funds	524,746	-	-	-	524,746
Ambulance fees	216,737	-	-	-	216,737
Investment income (loss)	(4,231)	(14,939)	33,349	48,675	62,854
Other	444,685	-	1,107	374,988	820,780
Total revenue	6,831,797	477,528	525,729	987,769	8,822,823
Expenditures					
General government	1,371,133	-	-	65,057	1,436,190
Public safety	4,079,080	-	-	-	4,079,080
Public works	1,853,026	493,102	1,932,312	702,083	4,980,523
Community and economic development	124,532	-	-	121,299	245,831
Recreation and culture	530,827	-	-	335,153	865,980
Employee benefits and other	1,521,810	-	-	-	1,521,810
Debt service:					
Principal	-	-	-	85,000	85,000
Interest and other charges	-	-	136,772	37,802	174,574
Total expenditures	9,480,408	493,102	2,069,084	1,346,394	13,388,988
Excess of Expenditures Over Revenue	(2,648,611)	(15,574)	(1,543,355)	(358,625)	(4,566,165)
Other Financing Sources (Uses)					
Issuance of long-term debt	-	-	7,600,000	-	7,600,000
Operating transfers in	2,241,038	-	834,648	855,916	3,931,602
Operating transfers out	-	(190,013)	-	(488,446)	(678,459)
Total other financing sources (uses)	2,241,038	(190,013)	8,434,648	367,470	10,853,143
Net Change in Fund Balances	(407,573)	(205,587)	6,891,293	8,845	6,286,978
Fund Balances - Beginning of year	825,338	1,067,586	326,860	2,473,742	4,693,526
Fund Balances - End of year	\$ 417,765	\$ 861,999	\$ 7,218,153	\$ 2,482,587	\$ 10,980,504

City of Riverview, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 6,286,978

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (677,953)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 85,000

Interest expense is recorded when incurred in the statement of activities (28,847)

Bond proceeds are not reported as financing sources (uses) on the statement of activities (7,600,000)

Decrease in accumulated employee sick and vacation pay is recorded when paid in the governmental funds 40,228

The Internal Service Fund (self-insurance) is also included as governmental activities in the statement of activities (7,506)

Change in Net Assets of Governmental Activities \$ (1,902,100)

City of Riverview, Michigan

	Major Enterprise Funds		
	Water and Sewer	Golf Course	Land Preserve
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 2,224,255	\$ 50,438	\$ 1,318,664
Accounts receivable:			
Customers	514,806	-	3,276,141
Other	42,501	-	-
Due from other funds (Note 4)	-	-	1,871,306
Inventories	-	18,987	-
Prepaid and other assets	28,342	-	-
Total current assets	2,809,904	69,425	6,466,111
Noncurrent assets:			
Restricted assets (Note 5)	1,031,412	-	24,634,869
Capital assets - Net (Note 6):			
Nondepreciable capital assets	-	-	2,772,377
Depreciable capital assets	31,593,744	1,858,690	19,983,294
Advance to golf practice	-	-	967,364
Total noncurrent assets	32,625,156	1,858,690	48,357,904
Total assets	35,435,060	1,928,115	54,824,015
Liabilities			
Current liabilities:			
Accounts payable	361,412	124,864	1,113,780
Due to other funds (Note 4)	1,484,726	468,064	525,934
Accrued and other liabilities	32,328	24,213	56,106
Current liabilities payable from restricted assets (Note 5)	702,961	-	-
Current portion of bonds payable (Note 7)	688,292	-	-
Total current liabilities	3,269,719	617,141	1,695,820
Noncurrent liabilities:			
Bonds payable - Net of current portion (Note 7)	19,904,384	-	-
Accumulated employee benefits (Note 7)	111,970	49,671	32,432
Land preserve closure liability (Note 5)	-	-	13,700,000
Advance from land preserve	-	-	-
Total noncurrent liabilities	20,016,354	49,671	13,732,432
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	10,298,107	1,858,690	22,755,671
Restricted for debt service (Note 5)	1,031,412	-	-
Restricted for land preserve closure and postclosure costs (Note 5)	-	-	10,934,869
Unrestricted	819,468	(597,387)	5,705,223
Total net assets (deficit)	\$ 12,148,987	\$ 1,261,303	\$ 39,395,763

Proprietary Funds
Statement of Net Assets (Deficit)
June 30, 2004

Nonmajor Enterprise Fund		Governmental Activities
Golf Practice	Total Enterprise Funds	Internal Service Fund
\$ 215,258	\$ 3,808,615	\$ 437,495
-	3,790,947	-
-	42,501	-
78,064	1,949,370	-
-	18,987	-
-	28,342	37,265
293,322	9,638,762	474,760
-	25,666,281	-
1,595,200	4,367,577	-
1,528,641	54,964,369	-
-	967,364	-
3,123,841	85,965,591	-
3,417,163	95,604,353	474,760
6,035	1,606,091	-
-	2,478,724	-
4,223	116,870	49,115
-	702,961	-
-	688,292	-
10,258	5,592,938	49,115
-	19,904,384	-
5,519	199,592	-
-	13,700,000	-
967,364	967,364	-
972,883	34,771,340	-
3,123,841	38,036,309	-
-	1,031,412	-
-	10,934,869	-
(689,819)	5,237,485	425,645
\$ 2,434,022	\$ 55,240,075	\$ 425,645

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Operating Revenue				
Customer billings	\$ 2,701,371	\$ -	\$ -	\$ -
Greens fees	-	1,020,973	-	14,102
Charges for services	-	-	-	-
Equipment rentals	-	174,298	-	74,890
Rubbish collections	-	-	8,966,577	-
Miscellaneous revenue	1,548	85,967	408,378	4,967
Total operating revenue	2,702,919	1,281,238	9,374,955	93,959
Operating Expenses				
Personnel services	483,871	753,269	1,569,047	96,282
Supplies	14,442	92,882	31,389	6,129
Water and sewer charges	1,478,358	-	-	-
Operation and maintenance	58,090	42,957	969,501	1,365
Depreciation	1,032,985	138,638	343,975	71,706
Other services and charges	297,342	386,013	2,064,040	13,718
Total operating expenses	3,365,088	1,413,759	4,977,952	189,200
Operating Income (Loss)	(662,169)	(132,521)	4,397,003	(95,241)
Nonoperating Revenue (Expenses)				
Investment income (loss)	52,342	9,632	(155,204)	6,619
Interest expense	(524,346)	-	-	-
Property taxes - Downriver Sewage Disposal System	1,301,937	-	-	-
Total nonoperating revenue (expenses)	829,933	9,632	(155,204)	6,619
Income (Loss) - Before transfers	167,764	(122,889)	4,241,799	(88,622)
Transfers In	276,000	-	16,000	-
Transfers Out	-	-	(3,545,143)	-
Change in Net Assets	443,764	(122,889)	712,656	(88,622)
Net Assets - Beginning of year - As restated (Note 1)	11,705,223	1,384,192	38,683,107	2,522,644
Net Assets - End of year	<u>\$ 12,148,987</u>	<u>\$ 1,261,303</u>	<u>\$ 39,395,763</u>	<u>\$ 2,434,022</u>

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2004

Total Enterprise Funds		Governmental Activities	
		Internal Service	Fund
\$ 2,701,371	\$ -		
1,035,075	-		
-	395,895		
249,188	-		
8,966,577	-		
500,860	146,603		
13,453,071	542,498		
2,902,469	-		
144,842	-		
1,478,358	-		
1,071,913	-		
1,587,304	-		
2,761,113	548,393		
9,945,999	548,393		
3,507,072	(5,895)		
(86,611)	(1,611)		
(524,346)	-		
1,301,937	-		
690,980	(1,611)		
4,198,052	(7,506)		
292,000	-		
(3,545,143)	-		
944,909	(7,506)		
54,295,166	433,151		
\$ 55,240,075	\$ 425,645		

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,774,912	\$ 1,281,238	\$ 8,600,478	\$ 93,959
Payments to suppliers	(1,787,891)	(437,441)	(2,820,914)	(39,176)
Payments to employees	(453,923)	(771,511)	(1,554,502)	(89,493)
Claims paid	-	-	-	-
Net cash provided by (used in) operating activities	533,098	72,286	4,225,062	(34,710)
Cash Flows from Noncapital Financing Activities				
Net transfers in (out) to other funds	276,000	-	(3,529,143)	-
Payments from (to) other funds	(1,500,980)	1,852	2,030,334	(1,852)
Net cash provided by (used in) noncapital financing activities	(1,224,980)	1,852	(1,498,809)	(1,852)
Cash Flows from Capital and Related Financing Activities				
Collection of property taxes	1,301,937	-	-	-
Principal paid on long-term debt	(1,820,000)	-	-	-
Transfer to the county for future debt service	(974,884)	-	-	-
Issuance of long-term debt	1,295,000	-	-	-
Interest paid on long-term debt	(270,464)	-	-	-
Purchase of capital assets	(84,048)	(38,437)	(899,312)	(17,269)
Net cash used in capital and related financing activities	(552,459)	(38,437)	(899,312)	(17,269)
Cash Flows from Investing Activities				
Investment income (loss) on investments	52,341	9,632	(155,204)	6,619
Net sales (purchases) of investment securities	1,778,518	10,368	(1,836,823)	3,181
Net cash provided by (used in) investing activities	1,830,859	20,000	(1,992,027)	9,800
Net Increase (Decrease) in Cash and Cash Equivalents	586,518	55,701	(165,086)	(44,031)
Cash and Cash Equivalents - July 1, 2003	(24,783)	(334,282)	165,686	71,070
Cash and Cash Equivalents - June 30, 2004	\$ 561,735	\$ (278,581)	\$ 600	\$ 27,039
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 2,224,255	\$ 50,438	\$ 1,318,664	\$ 215,258
Restricted assets	-	-	24,037,450	-
Total cash and cash equivalents	2,224,255	50,438	25,356,114	215,258
Less investments	(1,662,520)	(329,019)	(25,355,514)	(188,219)
Net cash and cash equivalents	\$ 561,735	\$ (278,581)	\$ 600	\$ 27,039

**Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2004**

		Governmental Activities	
		Internal Service Fund	
Total Enterprise Funds			
\$ 12,750,587	\$ 542,498		
(5,085,422)	-		
(2,869,429)	-		
<u>-</u>	<u>(633,532)</u>		
4,795,736	(91,034)		
(3,253,143)	-		
<u>529,354</u>	<u>-</u>		
(2,723,789)	-		
1,301,937	-		
(1,820,000)	-		
(974,884)	-		
1,295,000	-		
(270,464)	-		
<u>(1,039,066)</u>	<u>-</u>		
(1,507,477)	-		
(86,612)	(1,611)		
<u>(44,756)</u>	<u>-</u>		
(131,368)	(1,611)		
433,102	(92,645)		
<u>(122,309)</u>	<u>530,140</u>		
\$ 310,793	\$ 437,495		
\$ 3,808,615	\$ 437,495		
<u>24,037,450</u>	<u>-</u>		
27,846,065	437,495		
<u>(27,535,272)</u>	<u>-</u>		
\$ 310,793	\$ 437,495		

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (662,169)	\$ (132,521)	\$ 4,397,003	\$ (95,241)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,032,985	138,638	343,975	71,706
Changes in assets and liabilities:				
Receivables	43,651	-	(774,477)	-
Inventory	-	(4,233)	-	-
Restricted asset receivable	-	-	95,501	-
Accounts payable	88,683	88,644	(51,485)	(17,964)
Accrued and other liabilities	29,948	(18,242)	14,545	6,789
Land preserve closure liability	-	-	200,000	-
Net cash provided by (used in) operating activities	<u>\$ 533,098</u>	<u>\$ 72,286</u>	<u>\$ 4,225,062</u>	<u>\$ (34,710)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2004, the following activities occurred at the County of Wayne that are not reflected in the statement of cash flows:

Assets on Hand - July 1, 2003	\$ 1,054,305
Interest earned on investment	18,354
Judgment levy	974,884
Principal paid	(683,846)
Interest paid	<u>(332,285)</u>
Assets on Hand - June 30, 2004	<u>\$ 1,031,412</u>

Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended June 30, 2004

Total Enterprise Funds	Governmental Activities	
	Internal Service Fund	
\$ 3,507,072	\$	(5,895)
1,587,304		-
(730,826)	(37,265)	
(4,233)	-	
95,501	-	
107,878	-	
33,040	(47,874)	
200,000	-	
\$ 4,795,736	\$	(91,034)

City of Riverview, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2004

	Pension Trust Fund - Employees' Retirement System	Private Purpose Trust Fund - Community Trust	Agency Funds
Assets			
Cash and cash equivalents	\$ 1,144,988	\$ 9,380	\$ 94,031
Investments:			
Corporate bonds and notes	1,127,254	-	-
U.S. government securities	4,903,622	-	-
Common and preferred stock	11,395,804	-	-
Other receivables	1,191,141	-	367,716
Total assets	19,762,809	9,380	<u>\$ 461,747</u>
Liabilities			
Escrow	-	-	\$ 91,667
Due to other governmental units	-	-	370,080
Other	-	2,792	-
Total liabilities	-	2,792	<u>\$ 461,747</u>
Net Assets			
Reserved:			
Employee contributions	3,721,925	-	
Retired benefit payments	10,232,645	-	
Employer contributions	1,846,140	-	
Undistributed income	3,962,099	-	
Unreserved	-	6,588	
Total net assets	<u>\$ 19,762,809</u>	<u>\$ 6,588</u>	

City of Riverview, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Private Purpose Trust Funds Year Ended June 30, 2004

	Pension Trust Fund - Employees' Retirement System	Private Purpose Trust Fund - Community Trust
Additions		
Investment income:		
Interest and dividends	\$ 617,097	\$ 19
Net appreciation in fair value of investments	1,580,624	-
Less investment expenses	(126,624)	-
Net investment income	2,071,097	19
Contributions:		
Employer	552,179	-
Employee	259,091	-
Health care reimbursement	413,416	-
Total contributions	1,224,686	-
Total additions	3,295,783	19
Deductions		
Benefit payments	1,118,956	-
Refunds of contributions	99,252	-
Total deductions	1,218,208	-
Net Increase	2,077,575	19
Net Assets Held in Trust for Pension Benefits and Private Purpose Trust Fund		
Beginning of year	17,685,234	6,569
End of year	<u>\$ 19,762,809</u>	<u>\$ 6,588</u>

City of Riverview, Michigan

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Riverview, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Riverview, Michigan:

Reporting Entity

The City of Riverview, Michigan is governed by a mayor and six-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Although the blended component unit is a legal separate entity, in substance, it is part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit - The City's Building Authority is a City-created and directed authority whose sole business activity is acquiring and leasing property to the City. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings, and its operations consist of the issuance and repayment of debt and the related construction. The operations of the Building Authority are reported as a nonmajor Debt Service Fund.

Discretely Presented Component Unit - The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, consisting of nine individuals, is appointed by the City Council. Complete financial statements for the EDC can be obtained from the administrative office at 14100 Civic Park Drive, Riverview, MI 48192.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.

Note I - Summary of Significant Accounting Policies (Continued)

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through State-shared gas and weight taxes and a local property tax levy.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and the sewage and storm water collection systems. Funding is provided primarily through user charges and a local property tax levy.

Golf Course Fund - The Golf Course Fund accounts for the activity of the golf course. Funding is provided primarily through user charges.

Land Preserve Fund - The Land Preserve Fund accounts for the activities of the landfill operation. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to fund general liability claims and purchase insurance that provides excess general liability coverage for City employees and property. The fund is financed primarily by charges to the various departments of the City.

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the employee benefit plan that accumulates resources for pension and other post-employment benefit payments to qualified employees.

Private Purpose Trust Fund - The Private Purpose Trust Fund accounts for the activity of resources donated for the veteran’s memorial.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on August 31, and become a lien on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

The 2003 taxable valuation of the City totaled \$342 million, on which ad valorem taxes levied consisted of 14.46 mills for the City's operating purposes and 3.5 mills for sewage disposal debt. The ad valorem taxes levied raised \$4.95 million for operations and \$1.2 million for sewage disposal debt.

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in August 2004. Wayne County's delinquent real property taxes have been recorded as revenue in the current year.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care costs of the land preserve. In addition, unspent bond proceeds of the Local Streets Fund are required to be set aside for construction. These amounts have all been classified as restricted assets.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	10 to 30 years
Buildings and improvements	20 to 30 years
Land improvements	5 to 40 years
Vehicles	1 to 10 years
Furniture, fixtures, and equipment	5 to 30 years
Water and sewer distribution systems	20 to 40 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation benefits. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Correction of Prior Periods - The City restated the June 30, 2003 net assets of the Land Preserve Fund as follows:

Net Assets - June 30, 2003 - As previously reported	\$ 40,408,855
Adjustment to account for the disposal of certain capital assets in prior years which had not been reflected in the subsidiary records and the general ledger in prior years	<u>(1,725,748)</u>
Net Assets - June 30, 2003 - As restated	<u>\$ 38,683,107</u>

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the city manager and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)" and issuance of debt which has been budgeted as revenue rather than "other financing sources." In addition, certain retiree health care expenses are budgeted net of the offsetting contribution from the Land Preserve Fund.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

The budget statements (budgetary combined schedules for the General and Major Special Revenue Funds) are presented on the same basis of accounting used in preparing the adopted budget.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular meeting in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. As provided for by the City Charter, not later than the second Monday in June, the budget is legally adopted through the passage of budget resolutions for each fund.
4. The city manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditure of any department, and transfers between funds or department, or from contingency must be approved by the City Council.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as adopted by the City Council is included in the required supplemental information. This comparison includes expenditure overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the City Council is available at the city hall for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City did not incur any significant expenditures that were in excess of the amounts budgeted.

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2003		\$ (450,056)
Current year building permit revenue		89,216
Related expenses:		
Direct costs	\$ 238,597	
Estimated indirect costs	<u>23,860</u>	
Total construction code expenses		<u>262,457</u>
Cumulative shortfall at June 30, 2004		<u><u>\$ (623,297)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in certificates of deposit of financial institutions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; bankers' acceptances of United States banks; commercial paper which matures not more than 270 days after the date of purchase; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967; investment pools organized under the Surplus Investment Act of 1982; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has designated four banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The City of Riverview, Michigan's deposits and investment policies are in accordance with statutory authority.

The City's deposits and investments at June 30, 2004 are included in the balance sheet under the following classifications:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Unit
Cash and investments	\$ 5,591,931	\$ 3,808,615	\$ 9,400,546	\$ 18,675,079	\$ 11,867
Restricted assets (Note 5)	7,075,895	24,037,450	31,113,345	-	-
Total	<u>\$ 12,667,826</u>	<u>\$ 27,846,065</u>	<u>\$ 40,513,891</u>	<u>\$ 18,675,079</u>	<u>\$ 11,867</u>

Note 3 - Deposits and Investments (Continued)

Deposits

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 16,382,838	\$ 1,248,399	\$ 11,867
Investments in securities, mutual funds, and similar vehicles	24,127,303	17,426,680	-
Petty cash and cash on hand	<u>3,750</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 40,513,891</u>	<u>\$ 18,675,079</u>	<u>\$ 11,867</u>

The above deposits of the primary government and fiduciary funds were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$16,354,210. Of that amount, approximately \$400,000 was covered by the federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

Investments

The Employees' Retirement System is also authorized by State of Michigan's Pension Investment Act to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2004. Risk Category I includes those investments that meet any one of the following criteria:

- Insured
- Registered
- Held by the City or its agent in the City's name

Note 3 - Deposits and Investments (Continued)

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government - U.S. government securities	<u>\$ 24,127,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,127,303</u>
Fiduciary funds:				
Corporate bonds	\$ -	\$ 1,127,254	\$ -	\$ 1,127,254
U.S. government securities	-	4,903,622	-	4,903,622
Common and preferred stock	-	11,395,804	-	11,395,804
Total fiduciary funds	<u>\$ -</u>	<u>\$ 17,426,680</u>	<u>\$ -</u>	<u>\$ 17,426,680</u>

Included in the City's investments at June 30, 2004 are the following:

- U.S. Treasury strips of approximately \$90,000. The strip represents the purchase of the principal portion of a United States Treasury note. Similar to a zero coupon bond, it is purchased at a discount (which represents the future interest earnings of the instrument). The discount is amortized over the remaining maturity of the instrument. There is no prepayment risk associated with this instrument, as the U.S. government is not allowed to call it early. Purchase of this strip allows the City to lock in favorable interest rates for the term of the security.
- Approximately \$60,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 3 - Deposits and Investments (Continued)

- Approximately \$14,406,000 of securities issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by the mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Streets Fund	\$ 3,526
	Local Streets Fund	5,114
	Water and Sewer Fund	3,420
	Land Preserve Fund	525,934
	Total General Fund	537,994
Nonmajor governmental funds	General Fund	50,644
	Major Streets Fund	4,329
	Local Streets Fund	6,096
	Total nonmajor governmental funds	61,069
Enterprise Funds:		
Golf Practice Fund	Golf Course Fund	78,064
Land Preserve Fund	Water and Sewer Fund	1,481,306
	Golf Course Fund	390,000
	Total Land Preserve Fund	1,871,306
	Total Enterprise Funds	1,949,370
	Total	\$ 2,548,433

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2004

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund statements were as follows:

Fund Transferred From	Fund Transferred To	Amount
Major Streets Fund	Local Streets Fund	\$ 190,013
Nonmajor governmental funds	General Fund	62,174
	Local Streets Fund	253,547
	Nonmajor governmental funds	131,725
	Water and Sewer Fund	25,000
	Land Preserve Fund	16,000
	Total nonmajor governmental funds	488,446
Land Preserve Fund	General Fund (I)	2,178,864
	Local Streets Fund	391,088
	Nonmajor governmental funds (I)	724,191
	Water and Sewer Fund	251,000
	Total Land Preserve Fund	3,545,143
	Total	\$ 4,223,602

(I) Transfer of discretionary funds to be used for the benefit of the community

Note 5 - Restricted Assets

Restricted assets at June 30, 2004 consist of the following:

	Governmental		
	Activities	Business-type Activities	
	Local Streets Fund	Water and Sewer Fund	Land Preserve Fund
Cash and investments	\$ 7,075,895	\$ -	\$ 24,037,450
Accounts receivable - Restricted portion of April, May, and June 2004 receipts physically transferred in August 2004	-	-	597,419
Deposits held by Wayne County - Water and Sewer Fund	-	1,031,412	-
Total restricted assets	\$ 7,075,895	\$ 1,031,412	\$ 24,634,869

Local Streets Fund

The City has cash and investments from the issuance of debt of \$7,075,895 that is restricted to be used for future construction.

Note 5 - Restricted Assets (Continued)

Water and Sewer

As described in Note 8, the City also has assets of \$1,031,412 held at Wayne County that are restricted for debt payments related to the Downriver Sewage Disposal System project. The restricted assets balance results from the debt service tax levy in excess of debt expenses for the Downriver Sewage Disposal System project. Of this amount, \$702,961 of debt is currently payable from restricted assets and the remainder of the assets is for long-term debt obligations.

Landfill - Closure and Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an operating expense in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$13,700,000 reported as landfill closure and postclosure liability at June 30, 2004 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used. The City will recognize the remaining estimate of closure and postclosure care costs of approximately \$4,400,000 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to close the landfill in the year 2021. On a volume basis versus site acreage basis, approximately 52 percent of landfill capacity is used as of June 30, 2004. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and federal laws and regulations to make contributions to a trust to finance closure and postclosure care (see Note 8). The City is in compliance with these requirements and, at June 30, 2004, investments of \$24,037,450 and accounts receivable of \$597,419 are held for these purposes. These are reported as restricted assets on the balance sheet. Net assets have been restricted for \$10,934,869, which is the total restricted assets of \$24,634,869 less the closure and postclosure liability of \$13,700,000. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2004

Note 6 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated - Land	\$ 11,291,844	\$ 45,000	\$ -	\$ 11,336,844
Capital assets being depreciated:				
Infrastructure	31,095,506	1,011,377	-	32,106,883
Buildings and improvements	9,806,393	11,124	-	9,817,517
Equipment and vehicles	4,948,804	159,968	-	5,108,772
Subtotal	45,850,703	1,182,469	-	47,033,172
Accumulated depreciation:				
Infrastructure	14,888,394	1,208,769	-	16,097,163
Buildings and improvements	6,582,916	337,633	-	6,920,549
Equipment and vehicles	3,797,281	359,020	-	4,156,301
Subtotal	25,268,591	1,905,422	-	27,174,013
Net capital assets being depreciated	20,582,112	(722,953)	-	19,859,159
Net governmental capital assets	<u>\$ 31,873,956</u>	<u>\$ (677,953)</u>	<u>\$ -</u>	<u>\$ 31,196,003</u>

Note 6 - Capital Assets (Continued)

	Balance July 1, 2003 (restated)*	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2004
Business-type activities:					
Water and sewer capital assets:					
Capital assets being depreciated:					
Buildings and improvements	\$ 91,648	\$ -	\$ -	\$ -	\$ 91,648
Vehicles	348,330	169,707	-	-	518,037
Furniture, fixtures, and equipment	876,306	(169,707)	68,415	(179,967)	595,047
Water and sewer distribution systems	39,009,011	-	15,635	-	39,024,646
Subtotal	40,325,295	-	84,050	(179,967)	40,229,378
Accumulated depreciation:					
Buildings and improvements	4,246	57,404	4,246	-	65,896
Vehicles	31,552	296,716	41,924	-	370,192
Furniture, fixtures, and equipment	55,186	450,938	52,767	(179,967)	378,924
Water and sewer distribution systems	7,691,632	(805,058)	934,048	-	7,820,622
Subtotal	7,782,616	-	1,032,985	(179,967)	8,635,634
Net water and sewer capital assets	32,542,679	-	(948,935)	-	31,593,744
Golf course capital assets:					
Capital assets being depreciated:					
Buildings and improvements	1,098,938	-	18,316	-	1,117,254
Land improvements	1,535,568	-	-	-	1,535,568
Furniture, fixtures, and equipment	728,938	-	20,121	(47,285)	701,774
Subtotal	3,363,444	-	38,437	(47,285)	3,354,596
Accumulated depreciation:					
Buildings and improvements	771,822	-	49,284	-	821,106
Land improvements	85,016	-	45,203	-	130,219
Furniture, fixtures, and equipment	547,715	-	44,151	(47,285)	544,581
Subtotal	1,404,553	-	138,638	(47,285)	1,495,906
Net golf course capital assets	1,958,891	-	(100,201)	-	1,858,690
Land preserve capital assets:					
Capital assets not being depreciated -					
Land	2,772,377	-	-	-	2,772,377
Capital assets being depreciated:					
Buildings and land improvements	18,966,244	-	797,358	-	19,763,602
Vehicles	91,746	-	-	-	91,746
Furniture, fixtures, and equipment	2,388,232	-	80,787	-	2,469,019
Subtotal	21,446,222	-	878,145	-	22,324,367

* Certain balances of the land preserve have been restated as of July 1, 2003. See Note 1.

Note 6 - Capital Assets (Continued)

	Balance July 1, 2003	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2004
Business-type activities (Continued):					
Land preserve capital assets (Continued):					
Accumulated depreciation:					
Buildings and land improvements	\$ 660,353	\$ -	\$ 126,042	\$ -	\$ 786,395
Vehicles	18,349	-	18,349	-	36,698
Furniture, fixtures, and equipment	1,318,396	-	199,584	-	1,517,980
Subtotal	1,997,098	-	343,975	-	2,341,073
Net capital assets being depreciated	19,449,124	-	534,170	-	19,983,294
Net land preserve capital assets	22,221,501	-	534,170	-	22,755,671
Golf practice capital assets:					
Capital assets not being depreciated:					
Land	691,901	-	-	-	691,901
Land improvements	903,299	-	-	-	903,299
Subtotal	1,595,200	-	-	-	1,595,200
Capital assets being depreciated:					
Buildings and improvements	411,467	-	-	-	411,467
Furniture, fixtures, and equipment	1,355,561	-	13,895	-	1,369,456
Subtotal	1,767,028	-	13,895	-	1,780,923
Accumulated depreciation:					
Buildings and improvements	33,847	-	14,607	-	48,454
Land improvements	3,374	-	-	(3,374)	-
Furniture, fixtures, and equipment	146,729	-	57,099	-	203,828
Subtotal	183,950	-	71,706	(3,374)	252,282
Net capital assets being depreciated	1,583,078	-	(57,811)	3,374	1,528,641
Net golf practice capital assets	3,178,278	-	(57,811)	3,374	3,123,841
Net business-type activity capital assets	\$ 59,901,349	\$ -	\$ (572,777)	\$ 3,374	\$ 59,331,946

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 1,447,889
Public safety	120,289
Public works	160,458
Community and economic development	141
Recreation and culture	<u>176,645</u>
Total governmental activities	<u>\$ 1,905,422</u>

Business-type activities:

Water and sewer	\$ 1,032,985
Golf course	138,638
Land preserve	343,975
Golf practice	<u>71,706</u>
Total business-type activities	<u>\$ 1,587,304</u>

Construction Commitments - The City has active construction projects at year end. The projects include the street repair, Pennsylvania Road street light, Leachate Tank improvements, and the Blue Nile Creek project. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street repair	\$ 2,182,828	\$ 4,597,572
Pennsylvania Road street light	-	70,516
Leachate tank improvements	516,407	158,584
Blue Nile Creek	<u>21,904</u>	<u>34,016</u>
Total	<u>\$ 2,721,139</u>	<u>\$ 4,860,688</u>

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the government. Other long-term obligations include compensated absences, claims and judgments, and certain risk liabilities.

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds - 1994 Library Building Authority Bonds						
Amount of issue - \$1,500,000	6.00% -					
Maturing through 2004	6.25%	\$ 65,000	\$ -	\$ (65,000)	\$ -	\$ -
General obligation bonds - 2003 Library Building Authority Refunding Bonds						
Amount of issue - \$1,160,000	2.00% -					
Maturing through 2014	3.80%	1,160,000	-	(20,000)	1,140,000	85,000
General obligation bonds - 2004 Street Bonds						
Amount of issue - \$7,600,000	1.25% -					
Maturing through 2014	3.125%	-	7,600,000	-	7,600,000	745,000
Compensated absences		866,151	-	(40,228)	825,923	-
Total governmental activities		2,091,151	7,600,000	(125,228)	9,565,923	830,000
Business-type activities:						
General obligation bonds:						
1993 General Obligation Limited Tax Bonds						
Amount of issue - \$10,860,000						
Maturing through 2015	2.00%	6,993,538	-	(525,000)	6,468,538	535,000
1994 General Obligation Limited Tax Bonds						
Amount of issue - \$1,700,000 *	5.00% -					
Maturing through 2015	7.50%	1,265,000	-	(1,265,000)	-	-
2003 General Obligation Limited Tax Refunding Bonds						
Amount of issue - \$1,295,000	2.25% -					
Maturing through 2015	3.60%	-	1,295,000	(30,000)	1,265,000	100,000
County contractual obligations:						
Downriver Sewage Disposal System Bonds Series A						
Amount of issue - \$2,099,366						
Maturing through 2003	Various	20,603	-	(20,603)	-	-
Downriver Sewage Disposal System Bonds Series A Refunding Bonds						
Amount of issue - \$328,862						
Maturing through 2013	Various	316,963	-	(3,057)	313,906	25,317
Downriver Sewage Disposal System Bonds Series B						
Amount of issue - \$701,512						
Maturing through 2018	Various	627,178	-	(27,115)	600,063	28,285
State Revolving Fund Loan						
Amount of issue - \$14,428,703	2.00% -					
Maturing through 2021	2.50%	12,958,410	-	(693,119)	12,265,291	649,359
City of Ecorse plant capacity obligation						
Amount of issue - \$518,402	-					
Maturing through 2021		382,839	-	-	382,839	53,292
Total bonds and other contractual obligations		22,564,531	1,295,000	(2,563,894)	21,295,637	1,391,253
Other long-term obligations - Compensated absences		212,445	-	(12,853)	199,592	-
Total business-type activities		22,776,976	1,295,000	(2,576,747)	21,495,229	1,391,253
Total governmental and business-type activities		\$ 24,868,127	\$ 8,895,000	\$ (2,701,975)	\$ 31,061,152	\$ 2,221,253

* Bonds were defeased in 2004. \$1,195,000 was defeased and \$70,000 of principal was paid.

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 830,000	\$ 209,061	\$ 1,039,061	\$ 1,391,253	\$ 322,112	\$ 1,713,365
2006	785,000	195,705	980,705	1,393,653	467,729	1,861,382
2007	800,000	179,855	979,855	1,429,638	439,773	1,869,411
2008	820,000	163,465	983,465	1,448,578	389,077	1,837,655
2009	835,000	144,981	979,981	1,492,322	376,563	1,868,885
2010-2014	4,545,000	372,689	4,917,689	7,992,509	1,079,857	9,072,366
2015-2019	125,000	2,375	127,375	4,979,253	754,224	5,733,477
2020-2023	-	-	-	1,168,431	62,675	1,231,106
Total	\$ 8,740,000	\$ 1,268,131	\$ 10,008,131	\$ 21,295,637	\$ 3,892,010	\$ 25,187,647

Advance Refunding - During the year, the City issued \$1,295,000 in Limited Tax General Obligation Bonds with an average interest rate of 3.17 percent. The proceeds of these bonds were used to advance refund \$1,195,000 of outstanding 1994 Limited Tax General Obligation Sewer Bonds with an average interest rate of 5.35 percent. The net proceeds of \$1,242,841 (after payment of \$52,159 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets. The advance refunding reduced total debt service payments over the next 12 years by approximately \$94,000, which represents an economic gain of approximately \$75,000.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2004, \$1,045,000 of bonds outstanding are considered defeased.

Note 8 - Commitments and Contingencies

State of Michigan Perpetual Care Fund

In October 1990, the City entered into an escrow agreement with the State of Michigan Department of Natural Resources to establish a perpetual care fund. This agreement requires that the City deposit into the perpetual care fund escrow account a fixed amount for every unit of solid waste disposed of in the Riverview Land Preserve. These funds, along with all earnings, interest, and profits, are to be used solely for payment of the costs of closure, monitoring, maintenance, or response activities at the facility necessary to protect public health, safety, and welfare or to protect the environment. The perpetual care fund is reported in the restricted assets of the Land Preserve Fund.

Lawsuits

There are several lawsuits pending against the City. The estimated liability associated with these lawsuits, if any, cannot be determined; therefore, no liability has been recorded.

Several years ago, the City was named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Disposal System. Several other communities, including Wayne County, are also named as defendants. Under terms of an interim federal court order, the communities were required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$281,000,000, with the City's share estimated to be approximately \$29,000,000, exclusive of any potential fines or penalties. Through June 30, 2004, bonds totaling approximately \$16,000,000 have been issued in relation to this project.

The City issued \$1,295,000 in General Obligation Limited Tax Bonds, dated July 17, 2003, as additional financing for constructing improvements in the sewage disposal system. These bonds have an annual interest rate ranging from 2.25 percent to 3.60 percent with annual payments that began in November 2003 and will end in November 2014.

The City entered into an agreement with Wayne County, Brownstown Township, and the City of Southgate in June 2001. This agreement was made for the purpose of paving Pennsylvania Road and for the acquisition of right-of-way on Pennsylvania Road. The City's share of the project is \$1,017,522. The Major Streets Fund will pay for the costs as incurred. The construction of this project commenced in the spring of 2004. As of June 30, 2004, approximately \$480,000 has been spent for this project.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims related to general and auto liability, auto physical damage, and property. The Authority operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to commercial health insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Retirement Plan

Plan Description

The City of Riverview Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Riverview; this plan covers all qualified general and police employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2003, the date of the most recent actuarial valuation, membership consisted of 73 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 97 current active employees. The plan does not issue a separate financial report.

Note 10 - Retirement Plan (Continued)

Annual Pension Costs

For the year ended June 30, 2004, the City was required to make a contribution to the pension plan of \$552,179, exclusive of \$259,091 of employee contributions, which was equal to the City's required and actual contribution. The City's contribution was made subsequent to year end. The annual required contribution was determined as part of an actuarial valuation at June 30, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 4 percent per year, depending on age, attributable to seniority/merit, and (d) no postretirement benefit increases. An inflation component of 5 percent is included in (b) above. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 20 years.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

Note 10 - Retirement Plan (Continued)

Reserve Balances

The reserves for the retirement systems at June 30, 2004 consist of the following:

	Employees' Retirement System
Legally required reserves:	
Reserved for employee contributions	\$ 3,721,925
Reserved for retiree benefit payments	10,232,645
Additional reserves:	
Reserved for employer contributions	1,846,140
Reserved for undistributed income	3,962,099
Total	<u>\$ 19,762,809</u>

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2002	2003	2004
Employees' Retirement System:			
Annual pension costs (APC)	\$ 43,016	\$ 433,341	\$ 552,179
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Other Postemployment Benefits

The City provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, 63 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with some retired employee groups contributing a portion of the cost. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits were paid by the General Fund as the insurance premiums became due; during the year, this amounted to approximately \$526,000.

Note 11 - Other Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Required Supplemental Information

City of Riverview, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Fund Balance - Beginning of year	\$ 825,338	\$ 825,338	\$ 825,338	\$ -
Revenues				
Property taxes	4,349,669	4,487,669	4,302,439	(185,230)
Federal sources	12,500	12,500	8,503	(3,997)
State sources	1,413,521	1,413,521	1,338,918	(74,603)
Charges to other funds	517,245	525,845	524,746	(1,099)
Investment loss	151,000	151,000	(4,231)	(155,231)
Other revenues:				
Business licenses	90,661	90,661	52,908	(37,753)
Nonbusiness licenses and permits	112,500	112,500	89,216	(23,284)
Operating transfers in	1,705,004	1,713,804	1,715,104	1,300
Court costs	53,625	53,625	6,013	(47,612)
Recreation	201,771	231,646	170,553	(61,093)
Fines and forfeits	-	-	-	-
Ambulance fees	150,000	200,000	216,737	16,737
Miscellaneous	22,200	22,200	125,995	103,795
Total other revenues	2,335,761	2,424,436	2,376,526	(47,910)
Total revenues	8,779,696	9,014,971	8,546,901	(468,070)
Expenditures				
General government:				
City Council	71,655	53,755	53,732	23
District Court	-	5,620	5,618	2
City manager	204,113	202,473	200,443	2,030
Assessor and purchasing agent	299,051	259,456	231,301	28,155
Attorney	175,000	310,000	304,873	5,127
Clerk	295,279	282,494	250,454	32,040
Finance	399,619	345,804	324,712	21,092
Total general government	1,444,717	1,459,602	1,371,133	88,469
Public safety:				
Police	2,799,647	3,027,248	2,946,878	80,370
Fire	985,472	1,141,543	1,132,202	9,341
Total public safety	3,785,119	4,168,791	4,079,080	89,711
Public works:				
Department of Public Works	990,746	984,042	945,638	38,404
Building maintenance	403,097	388,469	384,245	4,224
Engineering and building	255,701	244,962	238,597	6,365
Motor vehicle pool	297,928	291,758	284,546	7,212
Total public works	1,947,472	1,909,231	1,853,026	56,205
Community and Economic Development -				
Community development	128,843	125,171	124,532	639
Recreation and culture:				
Recreation	478,959	497,625	441,764	55,861
Pheasant Run pool	35,786	35,786	25,398	10,388
Parks	92,842	80,545	63,665	16,880
Total recreation and culture	607,587	613,956	530,827	83,129

City of Riverview, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
Employee benefits and other:				
Employee benefits	\$ 503,073	\$ 632,612	\$ 619,099	\$ 13,513
Information technology	171,764	181,776	175,267	6,509
Insurance and bonds	201,841	207,041	201,510	5,531
Total employee benefits and other	876,678	1,021,429	995,876	25,553
Total expenditures	8,790,416	9,298,180	8,954,474	343,706
Excess of Expenditures Over Revenues	(10,720)	(283,209)	(407,573)	(124,364)
Fund Balance - End of year	\$ 814,618	\$ 542,129	\$ 417,765	\$ (124,364)

City of Riverview, Michigan

	Major Streets			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Fund Balance - Beginning of year	\$ 1,067,586	\$ 1,067,586	\$ 1,067,586	\$ -
Revenues				
Property taxes	-	-	-	-
State sources	456,685	456,685	492,467	35,782
Investment income (loss)	15,000	15,000	(14,939)	(29,939)
Other	-	-	-	-
Issuance of long-term debt	-	-	-	-
Transfers in	-	-	-	-
Total revenues	<u>471,685</u>	<u>471,685</u>	<u>477,528</u>	<u>5,843</u>
Expenditures				
Public works	281,672	698,900	493,102	205,798
Debt service - Interest and other charges	-	-	-	-
Transfers out	<u>190,013</u>	<u>190,013</u>	<u>190,013</u>	<u>-</u>
Total expenditures	<u>471,685</u>	<u>888,913</u>	<u>683,115</u>	<u>205,798</u>
Excess of Revenues Over (Under)				
Expenditures	<u>-</u>	<u>(417,228)</u>	<u>(205,587)</u>	<u>211,641</u>
Fund Balance - End of year	<u>\$ 1,067,586</u>	<u>\$ 650,358</u>	<u>\$ 861,999</u>	<u>\$ 211,641</u>

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended June 30, 2004

Local Streets			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 326,860	\$ 326,860	\$ 326,860	\$ -
252,662	252,662	252,498	(164)
193,147	193,147	238,775	45,628
7,000	7,000	33,349	26,349
-	-	1,107	1,107
-	7,600,000	7,600,000	-
834,648	834,648	834,648	-
<u>1,287,457</u>	<u>8,887,457</u>	<u>8,960,377</u>	<u>72,920</u>
1,087,457	4,775,048	1,932,312	2,842,736
-	90,129	136,772	(46,643)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,087,457</u>	<u>4,865,177</u>	<u>2,069,084</u>	<u>2,796,093</u>
<u>200,000</u>	<u>4,022,280</u>	<u>6,891,293</u>	<u>2,869,013</u>
<u>\$ 526,860</u>	<u>\$ 4,349,140</u>	<u>\$ 7,218,153</u>	<u>\$ 2,869,013</u>

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contribution June 30, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
Employees' Retirement System						
06/30/98	\$ 19,132,875	\$ 17,052,447	\$ (2,080,428)	112.2	\$ 4,393,788	-
06/30/99	20,577,644	17,844,328	(2,733,316)	115.3	4,294,293	-
06/30/00	21,761,762	19,700,697	(2,061,065)	110.5	4,682,137	-
06/30/01	22,328,838	20,427,736	(1,901,102)	109.3	4,754,414	-
06/30/02	21,549,980	21,301,907	(248,073)	101.2	4,976,624	-
06/30/03	21,077,951	22,297,515	1,219,564	94.5	5,025,115	24.3

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions (Continued) June 30, 2004

The schedule of employer contributions is as follows:

Employees' Retirement System

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$ 11,810	100
2000	-	N/A
2001	25,712	100
2002	43,016	100
2003	433,341	100
2004	552,179	100

Additional information as of June 30, 2003, the latest actuarial valuation date, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5%-9%
Cost of living adjustments	None

*Includes inflation at 5 percent

City of Riverview, Michigan

Note to Required Supplemental Information June 30, 2004

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Major Streets		Local Streets	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 6,831,797	\$ 9,480,408	\$ 477,528	\$ 493,102	\$ 525,729	\$ 2,069,084
Issuance of debt budgeted as revenue	-	-	-	-	7,600,000	-
Retiree healthcare costs budgeted net of offsetting Land Preserve Fund contribution	(525,934)	(525,934)	-	-	-	-
Operating transfers budgeted as revenue and expenditures	2,241,038	-	-	190,013	834,648	-
Amounts per budget statement	<u>\$ 8,546,901</u>	<u>\$ 8,954,474</u>	<u>\$ 477,528</u>	<u>\$ 683,115</u>	<u>\$ 8,960,377</u>	<u>\$ 2,069,084</u>

Other Supplemental Information

City of Riverview, Michigan

		Nonmajor Special Revenue Funds				
		Community Development Block Grant	Rubbish	Winter Recreation	Cable T.V.	Library
Assets						
Cash and investments		\$ 14,758	\$ 166,464	\$ -	\$ 318,686	\$ 326,202
Receivables:						
Property taxes		-	-	-	-	15,280
Other		-	-	-	-	17,577
Due from other funds		50,644	-	-	-	-
Total assets		<u>\$ 65,402</u>	<u>\$ 166,464</u>	<u>\$ -</u>	<u>\$ 318,686</u>	<u>\$ 359,059</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable		\$ 3,600	\$ 35,995	\$ -	\$ 1,218	\$ 12,664
Accrued and other liabilities		-	-	-	983	14,970
Deferred revenue		20,526	-	-	-	-
Total liabilities		24,126	35,995	-	2,201	27,634
Fund Balances - Unreserved - Undesignated		41,276	130,469	-	316,485	331,425
Total liabilities and fund balances		<u>\$ 65,402</u>	<u>\$ 166,464</u>	<u>\$ -</u>	<u>\$ 318,686</u>	<u>\$ 359,059</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

Nonmajor Debt Service		Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	
\$ 47,327	\$ 140,037	\$ 11,940	\$ 1,464,030	\$ 16,361	\$ 2,505,805
532	-	-	-	-	15,812
-	-	-	-	-	17,577
-	-	-	10,425	-	61,069
\$ 47,859	\$ 140,037	\$ 11,940	\$ 1,474,455	\$ 16,361	\$ 2,600,263
\$ -	\$ -	\$ -	\$ 6,295	\$ -	\$ 59,772
1,087	18,338	2,000	-	-	37,378
-	-	-	-	-	20,526
1,087	18,338	2,000	6,295	-	117,676
46,772	121,699	9,940	1,468,160	16,361	2,482,587
\$ 47,859	\$ 140,037	\$ 11,940	\$ 1,474,455	\$ 16,361	\$ 2,600,263

City of Riverview, Michigan

	Nonmajor Special Revenue Funds				
	Community Development Block Grant	Rubbish	Winter Recreation	Cable T.V.	Library
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 414,293
Federal sources	136,524	-	-	-	-
State sources	-	-	-	-	13,289
Investment income	-	2,953	-	10,303	8,095
Other	-	187	-	217,222	44,378
Total revenue	136,524	3,140	-	227,525	480,055
Expenditures					
General government	-	-	-	63,707	-
Public works	-	323,347	-	-	-
Community and economic development	121,299	-	-	-	-
Recreation and culture	-	-	-	-	335,153
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	121,299	323,347	-	63,707	335,153
Excess of Revenue Over (Under) Expenditures	15,225	(320,207)	-	163,818	144,902
Other Financing Sources (Uses)					
Operating transfers in	-	316,350	-	-	-
Operating transfers out	(10,100)	-	(762)	(329,859)	(131,725)
Total other financing sources (uses)	(10,100)	316,350	(762)	(329,859)	(131,725)
Net Change in Fund Balances	5,125	(3,857)	(762)	(166,041)	13,177
Fund Balances - Beginning of year	36,151	134,326	762	482,526	318,248
Fund Balances - End of year	<u>\$ 41,276</u>	<u>\$ 130,469</u>	<u>\$ -</u>	<u>\$ 316,485</u>	<u>\$ 331,425</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2004

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds			
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 414,293
-	-	-	-	-	136,524
-	-	-	-	-	13,289
1,468	1,046	426	24,380	4	48,675
-	-	-	113,201	-	374,988
1,468	1,046	426	137,581	4	987,769
1,087	263	-	-	-	65,057
-	-	-	378,736	-	702,083
-	-	-	-	-	121,299
-	-	-	-	-	335,153
-	85,000	-	-	-	85,000
-	37,802	-	-	-	37,802
1,087	123,065	-	378,736	-	1,346,394
381	(122,019)	426	(241,155)	4	(358,625)
-	131,725	-	407,841	-	855,916
-	-	-	-	(16,000)	(488,446)
-	131,725	-	407,841	(16,000)	367,470
381	9,706	426	166,686	(15,996)	8,845
46,391	111,993	9,514	1,301,474	32,357	2,473,742
<u>\$ 46,772</u>	<u>\$ 121,699</u>	<u>\$ 9,940</u>	<u>\$ 1,468,160</u>	<u>\$ 16,361</u>	<u>\$ 2,482,587</u>

City of Riverview, Michigan

City of Riverview, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2004

	Agency Funds		
	Special Tax	Inspection	Totals
Assets			
Cash and investments	\$ 2,364	\$ 91,667	\$ 94,031
Other	<u>367,716</u>	<u>-</u>	<u>367,716</u>
Total assets	<u>\$ 370,080</u>	<u>\$ 91,667</u>	<u>\$ 461,747</u>
Liabilities			
Escrow	\$ -	\$ 91,667	\$ 91,667
Due to other governmental units	<u>370,080</u>	<u>-</u>	<u>370,080</u>
Total liabilities	<u>\$ 370,080</u>	<u>\$ 91,667</u>	<u>\$ 461,747</u>

November 12, 2004

Honorable Mayor and Members
of the City Council
City of Riverview
14100 Civic Park Drive
Riverview, MI 48192

Dear Mayor and Council Members:

We recently completed the audit of the basic financial statements of the City of Riverview for the year ended June 30, 2004. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Overview of City Finances

The fund balance of the General Fund decreased by more than \$400,000 during the year bringing the fund balance to \$418,000. This level of fund balance represents only 4% of General Fund expenditures. We typically suggest a fund balance of between 10% to 20% of expenditures to guard against budget shortfalls and to ensure appropriate cash flow. The City will most likely continue to experience pressure on its fund balance for the following reasons:

- Property tax limitations impacting mature communities
- State shared revenue decreases
- Decreased investment earnings
- Limitations on other types of fees
- Larger pension contributions
- Increases in health care costs
- Required pre-funding of retiree health care

We recommend that the City prepare a 5 year financial forecast to estimate the City's fund balance in the coming years. A forecast can be invaluable as a management tool for analyzing future spending and its cumulative impact.

In addition, the Golf Course and Golf Practice facility each incurred an operating loss this year. The Golf Course lost \$123,000 while the Practice Facility loss \$89,000. These losses were less than the losses incurred in the prior year. We encourage the City to continue to examine its fee structure and operating costs in an effort to close the gap between revenue and expenses in these funds.

General Operating Millage

We encourage management to continue to monitor the amount levied for general operations. Each year, expenditures continue to rise at a faster pace than revenues. As such, the City should continue to take a careful look at the millage being levied compared to the maximum



General Operating Millage, continued

amount available to levy. For the 2003 tax year, the City's Headlee maximum authorized millage rate was 16.4836 and the City's actual levy was 14.4600 resulting in a millage capacity of 2.0236 mills still available to the City. Future property taxes are limited by both Proposal A and the Headlee Amendment. As a result of the Headlee Amendment, the City's maximum millage rate may continually decrease and the City may no longer have millage capacity available to it to help balance the budget.

State Revenue Sharing

State shared revenue accounts for approximately 20% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the Governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$500 million shortfall exists for the State's 2006 fiscal year budget (the State's 2006 fiscal year budget will be introduced by the Governor in early 2005). Also, during October 2004, the Governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to State's tax structure, we continue to urge the City to be very conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

The table below details state shared revenue for the City over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the City compared to the State's fiscal year 2000.

State Revenue Sharing, continued

State Fiscal Year	Statutory	Constitutional	Total	Change from 2000
2000	\$726,000	\$942,000	\$1,668,000	\$ -
2001	764,000	861,000	1,625,000	(43,000)
2002	681,000	870,000	1,551,000	(117,000)
2003	597,000	885,000	1,482,000	(186,000)
2004	457,000	875,000	1,332,000	(336,000)

We will continue to update the City as developments occur.

Funding of Post-Employment Benefit Obligations

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the *government-wide financial statements*, rather than the individual fund level. As a result, the City will need to continue to budget only the expected cash payments, whether directly for health insurance premiums or for contributions to a pre-funding plan. For many communities, the funding of post-employment benefits is the most significant financial challenge they will face in coming years. We recommend that the City continue its proactive efforts to monitor and fund this future expenditure. The statement will not be effective until the City's 2009 fiscal year. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue. The retiree health care premiums paid by the City increased from \$413,000 in 2003 to \$525,000 in 2004.

As you know, the City has relied on Public Act 28 to offset the cost of retiree health premiums in the past. Act 28 allows the City to use excess investment earnings in the retirement system to pay for the health care premiums. However, given the down market the past few years, the retirement system has not generated excess investment earnings. As a result, the General Fund has had to repay the retirement system for the health care premiums. Please keep this situation in mind when preparing the General Fund budget.

Pension System Funding

While reviewing the most recent actuarial valuation, we noticed that the annual pension cost increased from \$43,016 in 2002 to \$433,341 in 2003 and to \$552,179 in 2004. The anticipated pension cost for 2005 is approximately \$535,000. The City's contribution as a percentage of payroll has increased ten fold and has not been this high since 1990. However, as these costs are increasing, the percent of the retirement system liabilities funded has been decreasing. The plan was 109.3% funded in 2002, was 101.2% funded in 2003 and is 94.5% funded in 2004. In determining the funding progress, the actuary uses a smoothing methodology for valuing assets. As such, the market value losses experienced over the past several years are not fully

Pension System Funding, continued

reflected in the computation of the employer's contribution. At June 30, 2003 (the date of the most recent actuarial valuation), the retirement system net assets at market value were lower than the asset values used by the actuary in determining funding progress. As a result, we would expect that the City's required employer contribution will increase in the coming years as a result of this situation.

We also noted during the audit that the City is making the pension contribution once a year. The City should consider making monthly employer contributions to the pension system in order to spread the cost over the entire year and to more accurately analyze the financial position of the City at any given point during the year.

Personal Property Tax

As you may be aware, the State Tax Commission has revised the personal property tax tables for the transmission and distributions property for utility companies. If utilized, the modified tables would have caused significant reductions to the assessed taxable value of these properties. The changes were effective in 2000, however, the City, like many other communities, has elected to continue to assess these properties using the previous tables. This issue was the subject of a lawsuit brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. The use of the new tables was upheld in the lawsuit and in a subsequent appeal by the local units of government.

The utility companies paid personal property taxes based on the new tables rather than the City assessed amount based on the old tables for several of the years in which the tables were in dispute. The difference between the amount assessed and the amount paid totals approximately \$116,000 and this property tax revenue originally anticipated by the City has not been recorded at June 30, 2004.

Furthermore, the utility companies have filed claims relating to personal property taxes paid under the old tables since 1997. The utility companies are attempting to retroactively apply the new tables to the 1997 through 1999 tax years and obtain refunds from local taxing authorities. The amount of personal property taxes that are subject to the claims is approximately \$144,000. The resolution of the refund claims will likewise be dependent on the outcome of the lawsuit appeals. The City has recorded a liability for the potential refund of these property taxes. We will continue to keep the City updated as developments occur.

Internal Control and Fraud Prevention

Statement on Auditing Standards No. 99

Designing and maintaining a sound system of internal controls over City assets, as well as fraud prevention and detection, are on the forefront in today's business environment. As part of our

Internal Control and Fraud Prevention, continued

Statement on Auditing Standards No. 99, continued

audit of the City's 2004 financial statements, we performed additional procedures as required by Statement on Auditing Standards No. 99, Consideration of Fraud in a Financial Statement Audit (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit", the new standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with key members of the administration and other employees throughout the organization; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures. We are pleased to report that no significant fraud risk factors or instances of fraud were identified as a result of our procedures.

We encourage the City to continue its own efforts to reduce the risk of fraud which can be done through a combination of prevention, deterrence, and detection measures. Fraud is often difficult to detect because it frequently involves concealment through falsification of documents or collusion among management, employees, or third parties. Fraud prevention and deterrence measures are typically much less costly than the time and expense required for fraud detection and investigation. SAS 99 includes an appendix, Management Antifraud Programs and Controls; Guidance to Help Prevent, Deter, and Detect Fraud, which discusses the fundamental elements of measures to prevent, deter and detect fraud. Please contact us if you would like assistance in obtaining this important document.

Cash

Bank reconciliations were being completed for all accounts and the general ledger was being adjusted, however this was not always done in a timely manner. We noted during our testing that the July 2003 through December 2003 bank reconciliations were not completed until January 2004. We did note that all reconciliations subsequent to January 2004 were performed on a monthly basis. In addition, the bank reconciliations were not reviewed by a second person. We recommend that all bank reconciliations be prepared on a monthly basis and be reviewed by a second person.

During the petty cash count at the golf course, we noted a balance of \$250 on hand. The amount recorded on the general ledger is only \$125. Even though the difference is insignificant, the City should track all cash balances and ensure that they reconcile to the general ledger. The City should also make sure all petty cash balances are in compliance with the City's petty cash policy.

During the audit we also noted that Finance Department employees have the ability to access each others cash drawer. Although no instances of mishandled cash have been detected, procedures should be put in place to strengthen the internal controls over cash. For example, only one cashier should have access to a cash drawer at one time. These controls may help with accountability in instances where cash does not balance in a particular drawer.

Internal Control and Fraud Prevention, continued

Cash, continued

Wire transfer cash disbursements are initiated by an individual in the Finance Department and reviewed and approved by the Finance Director. Based on wire transfer samples selected for testing during the audit, we noted that the supporting documentation for these transfers did not show evidence of a review and approval process. We recommend that the Finance Director initial and date each transfer worksheet upon review and approval in order to ensure the integrity of each transaction.

Credit Card Policy

The City has credit cards for use by authorized City employees and has passed a formal resolution approving the use of credit cards, however, the policy does not appear to comply with all aspects of the State's credit card policy requirements. Public Act 266 of 1995 authorizes the use of credit cards by local units of government for appropriate expenses. The act also sets specific criteria which must be followed. Further guidance on adopting the resolution and the suggested wording can be found on the Department of Treasury's website at http://www.michigan.gov/treasury/0,1607,7-121-1751_2194-7699--,00.html.

Other

There is no approval of manual journal entries prepared by the Finance Director. Oversight by another individual helps to ensure the integrity of information in the general ledger. We recommend that the City Manager or another appropriate person approve manual journal entries generated by the Finance Director.

Currently, background checks are not done upon hiring of employees that handle cash. Performing background checks is another procedure to assist in the safeguarding of cash. Additionally, performing background checks may assist the City in evaluating individuals for employment.

Accounting Issues

We commend the City for the effort made to reconcile general ledger activity and to investigate old balances prior to the audit. We noted the following areas that may also need some attention during 2005:

Community Development Block Grant

The City receives federal funds each year through the Community Development Block Grant (CDBG) program. Grant funds received are intended to reimburse program expenditures already incurred. Under this federal program, related expenditures are to be paid first with program income (i.e. rehabilitation loan payments received) and then through drawdowns of

Accounting Issues, continued

Community Development Block Grant, continued

grant money. Due to the nature of this type of grant accounting, the CDBG fund should not accumulate a fund balance. However, the City has accumulated a fund balance in the CDBG fund of approximately \$41,300 at June 30, 2004. We recommend that the City investigate this balance and adjust the fund balance to the appropriate amount. We would be happy to assist the City in reconciling this fund or providing assistance on the guidelines of the accounting for this grant.

Miscellaneous Account Balances

The following account balances have remained the same for the past several years. The City should review these accounts to determine if an adjustment to the general ledger is necessary. In addition, the cash accounts noted below do not appear to be supported by bank accounts.

101-000-068-020 Police Arm Patches	\$ 2,156
101-000-112-010 Inventory-Central Store	\$ 5,730
271-000-001-012 Cash-Library Transfer	\$ 1,153
592-000-007-020 Cash in Bank-Ser I	\$ 5
303-000-260-000 Unredeemed Coupons	\$18,338
401-000-276-000 Temporary Cert of Occupancy	\$ 2,000
596-000-211-000 Retainage Payable	\$19,338

Major and Local Street Administrative Service Fees

State law allows for the City's General Fund to charge Street funds for reimbursement of administrative functions, up to a maximum of 10% of ACT 51 revenues received. During the audit, we noted that the Street Funds appear to be paying less than 10% of ACT 51 revenues in administrative reimbursements. Management should monitor the cost of administration provided by the General Fund and determine if the higher administrative charges can be justified.

Honorable Mayor and
Members of the City Council
City of Riverview

November 12, 2004
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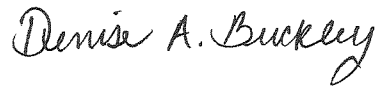
We consider it a privilege to be of service to the City. If you wish to discuss any of the items included in this report or other matters, we would be happy to do so.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in cursive script that reads "Beth A. Bialy".

Beth A. Bialy

A handwritten signature in cursive script that reads "Denise A. Buckley".

Denise A. Buckley